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Director of Central Intelligence

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YUGOSLAVIA:

Situation Report

A cease-fire appears to have left Slovenia's borders still contested, while the fighting has pushed European policymakers to more seriously consider recognizing Slovenian independence. [REDACTED] b3

Cessation of Hostilities

The federal Army agreed yesterday to return to its barracks following acceptance by Slovenian and military leaders of a cease-fire proposal by Prime Minister Markovic. Slovenian officials claimed some federal Army units continued fighting; local commanders said they had not received orders to disengage. Army spokesmen claimed federal forces control all border crossings, but Slovenes said their forces had held or recaptured more than half of the international border crossings by late yesterday. Republic officials claim they took 500 federal prisoners. [REDACTED] b3

A delegation of EC foreign ministers met today with the Slovenian and Croatian presidents, who [REDACTED] accepted at the EC's urging a further Markovic proposal that the republics avoid for three months any new moves to assert independence. In exchange, the ministers said Serbia had agreed to approve the election of a Croat as federal president. [REDACTED] b3

The Croatian government yesterday ordered mobilization of republic armed forces in response to federal military activities and announced it will set a deadline for Army forces to withdraw from Serb areas of the republic, where sporadic ethnic violence continues. [REDACTED] b3

[REDACTED] b3 Markovic almost certainly has little control over the Army and will gain some leverage from EC backing for his proposals. If the federal Army's failure to overwhelm Slovenian resistance with force helps discourage further attempts, the cease-fire may lead to serious talks over Slovenia's secession. Slovenia almost certainly refused to roll back independence moves already taken, while Serbia probably has other demands to be met before it accepts the Croatian presidential candidate. In Croatia, the threat of serious violence will grow sharply if the republic carries through with efforts to remove Army units from contested areas. [REDACTED] b3

EC Actively Engaged

Yesterday the EC summit invoked the CSCE emergency mechanism as a preliminary step to a full CSCE meeting and threatened to suspend the Community's aid program. [REDACTED] b1, b3

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b3 [REDACTED] EC members want to play a vigorous role in the Yugoslav crisis, especially in light of widespread criticism of their hesitancy during the Persian Gulf war. The initiatives are probably designed, in part, to counter critics who say EC policy to date has helped Belgrade. Although official EC policy still favors the unity of Yugoslavia, events are likely to force the Community increasingly to focus on terms for recognizing independence, especially in the case of Slovenia. b3 [REDACTED]

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IRAQ-KUWAIT:

Situation Report

Kurdish leaders say the proposed autonomy agreement is unacceptable,

Kurds To Renegotiate Autonomy Agreement

Kurdish leaders Mas'ud Barzani and Jalal Talabani both now say the proposed autonomy agreement is unacceptable and they will seek new talks with Baghdad. [REDACTED] Talabani objects to the lack of international guarantees, the vague boundaries of the autonomous zone, and the requirement that Kurdish guerrillas surrender their weapons.

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[REDACTED] The negotiating process has reopened suspicions and divisions among the Kurdish leaders. Despite the attempt by Talabani and Barzani to show unity, Barzani—who had strongly promoted the agreement and predicted it would be approved—clearly has lost influence. The rebels probably will not resume active fighting, but rising tensions may lead to small skirmishes.

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Comment: Sadruddin probably now recognizes the full extent of Kurdish distrust of Saddam and the difficulties the UN faces. Saddam will continue efforts to circumvent the embargo and divert donated goods to his Arab Sunni backers and the military.

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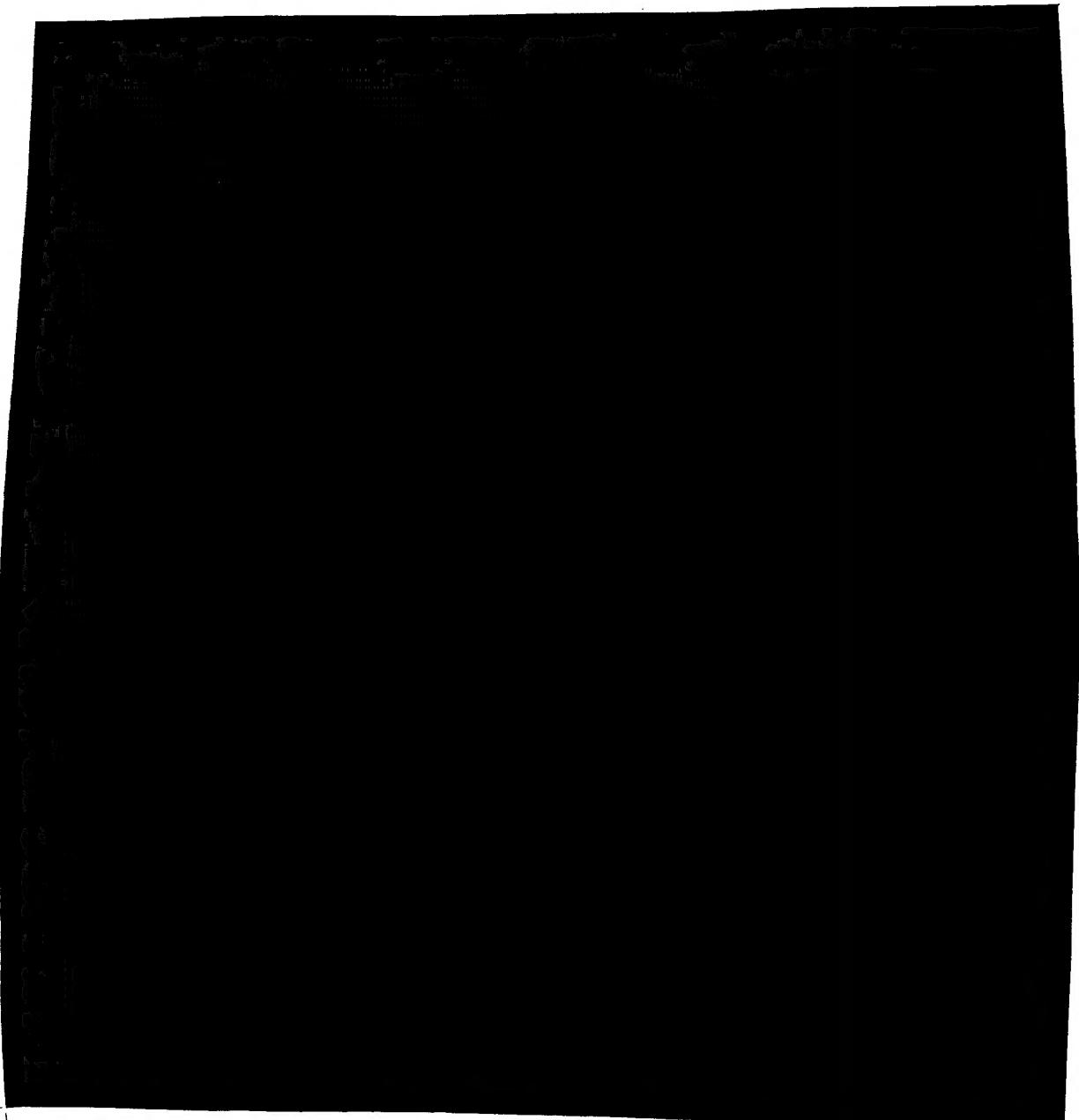
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IRAQ:

Caught by UN Inspectors

A confrontational visit to Iraq's Al Fallujah complex has provided a UN inspection team further evidence that Baghdad had a large-scale electromagnetic isotope separation (EMIS) uranium enrichment program. b3

In the surprise visit, the team was able to photograph the removal of equipment related to the clandestine program.

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[REDACTED]

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[REDACTED]

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[REDACTED] Saddam yesterday ordered his government to cooperate fully with the UN and gave the Foreign Ministry authority to order other agencies to comply with the inspectors' requests. b3

[REDACTED]

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The Iraqis are likely to become more careful and may move nuclear-related equipment into buildings or bury it; they may also use less confrontational tactics to stall or deny inspections. Baghdad apparently is not yet convinced that its obstruction of the inspections will be penalized; it is allowing inspection of proscribed materials and unprepared facilities only under duress. b3

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[REDACTED]

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USSR:**Situation Report**

The Ukrainian legislature delayed approval of the union treaty at least until this fall while signs of new problems of interpretation of the treaty emerged in Belorussia. Gorbachev is trying to distance himself from the Lithuanian raids but insisting Estonia will have to sign the treaty.

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Ukraine Holds Out on Union Treaty

Communist and opposition deputies in the Ukrainian parliament refused to endorse the treaty. Parliament Chairman Kravchuk and most deputies see it as inconsistent with Ukrainian demands for sovereignty, while thousands of demonstrators insisted that the parliament reject the treaty until a Ukrainian constitution is drafted and ratified. Parliament delayed a vote at least until September, giving Kravchuk time for further talks with Gorbachev.

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In addition to pressing Gorbachev for greater republic powers, Kravchuk must reconcile differences between the Communists and the opposition in order to come up with a version acceptable to most legislators.

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Belorussia Asserts Claim on Center

The Belorussian parliament adopted a resolution placing all union enterprises under republic jurisdiction.

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Belorussia, which has given qualified approval to the treaty, joins Russia and the Ukraine in asserting its right to control all economic resources in its territory. The move suggests it intends to interpret the treaty to support its claims to sovereignty.

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Spokesman on Gorbachev's Role in Raids

Referring to Wednesday's raid by Interior Ministry forces in Lithuania, a presidential spokesman said unnamed people were seemingly trying to spoil Gorbachev's meeting with Western leaders in London next month. The spokesman said Gorbachev has ordered Internal Affairs Minister Pugo to investigate.

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This is the first time a figure close to the President has implied hardliners were behind the attacks in the Baltic republics. The President has distanced himself from the raids, which probably are overseen by Pugo, but apparently still finds them a useful means of pressure. The spokesman's comments probably reflect Gorbachev's concern that the raids might damage his policies on the union treaty, economic reform, and obtaining Western aid. He may also be worried that hardliners are deliberately trying to embarrass and challenge him. Unless Gorbachev halts the raids, however, republic leaders will increasingly question his commitment to the union treaty negotiations and his control over the hardliners.

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USSR:

Military Concern About Government Policies

Military leaders fear that a Gorbachev-Yeltsin alliance, the new union treaty, and radical economic reforms will lead to further defense cuts and reduce their influence over policy, but they are deeply divided over how to respond and apparently not ready to challenge Gorbachev.

The military leadership favors a union treaty but insists that it be consonant with maintenance of a strong, modernized, and centrally controlled military force; they have opposed any devolution of power to the republics that would undermine the center's authority over defense issues. At the recent Supreme Soviet session, Defense Minister Yazov apparently supported Pavlov's bid for expanded powers; described the army's plight in stark terms, and demanded an end to antiarmy actions by republics, according to Soviet press reports. Yazov disassociated himself and the army from Soyuz hardliners, however, and denied that the military was about to stage a coup. Military bitterness has surfaced in several recent articles in which top armed forces leaders have complained about the current antimilitary atmosphere; in the most vehement attack, Navy Commander Chernavin called the government's policies "intolerable."

The military leadership has strong reservations about where the country is heading and probably will increasingly speak out but also remain loyal. Yazov, for example, has staunchly supported Gorbachev in the past and insists he will continue to do so. Moreover—as indicated by the strong pro-Yeltsin military vote—the military remains too divided to be able to oust Gorbachev at this time. Yeltsin also is likely to win more supporters in the military by assuring them he will protect their interests. Gorbachev sent a similar signal to the military at the 27 June Defense Council meeting. Armed forces reactionaries, however, will continue to side with other hardliners to try to stall reforms.

Hardliners—who fear more cuts in defense spending, dismemberment of the military-industrial complex, and radical military reforms—will be further provoked by those sections of the draft union treaty that circumscribe the military's internal role and grant the republics a greater voice on defense and economic issues. Chernavin's accusations suggest he has concluded that the Navy is being forced in a perilous direction by current government policies. Also, the Soviet Navy has been increasingly at odds with the ground-forces-dominated General Staff, and the Navy chief's broadside probably indicates not only his anger with Gorbachev but also divisions within the Defense Ministry over budgetary decisions.

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PLO-JORDAN:

Peace Process Maneuvering

The recent announcement by Abdul Rahim, the PLO representative in Amman, that his organization is willing to consider a joint Palestinian-Jordanian delegation to any peace talks appears to be a signal that the PLO is flexible but also is determined to be involved in the peace process.

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Arafat probably is postponing a decision on a joint delegation until Husayni and Ashrawi return from Washington. He is under increasing pressure to abandon the peace process from hardliners who reject the US peace initiative and are skeptical of his tactics, but he also is trying to satisfy moderates.

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Abdul Rahim's announcement probably reflected the PLO's concern that Jordan's recent appointment of a Palestinian prime minister may indicate Amman is preparing to move ahead in the peace process without the PLO. It probably will continue to insist that it select the Palestinian representatives in any joint delegation and that it be the final authority for the Palestinians in any negotiations.

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ETHIOPIA:

Moving Toward Transitional Government

The all-parties conference that begins Monday in Addis Ababa will be a major test of Acting President Meles's commitment to democracy.

Meles has told [redacted] the conference will discuss a draft charter outlining citizens' basic rights and the powers of a provisional government that will name both a new cabinet and a committee to draft a constitution for approval by an elected constituent assembly in the next two years. To allow local autonomy in some areas, elections for regional councils may be held within the first few months after the conference. [redacted] 2

Meles has invited representatives of various ethnic, regional, and political interests—including some exile groups—and has pledged to end domination by a single ethnic faction. [redacted] he has excluded some vocal anti-Tigray exiles, Mengistu's Workers' Party of Ethiopia, and the Ethiopian People's Revolutionary Party, which is still battling Addis Ababa in western Gojam Province. The separatist Eritrean People's Liberation Front, the only Eritrean group attending, does not plan to join the provisional government. International observers from such organizations as the five permanent UN Security Council members, the EC, and the OAU have been invited. [redacted]

[redacted] Meles's relatively broad, well-organized front is likely to dominate both the conference and the provisional government, and his proposals for decentralized authority probably will attract wide support from the delegates. EPLF attendance will help forge Eritrean trade and communications ties to Addis Ababa and soften criticism of Meles' support for Eritrean self-determination. Addis Ababa undoubtedly hopes to impress international observers that Ethiopia deserves increased foreign aid.

The conference lacks a fully defined agenda, however, and the attendees' competing interests will make quick agreement difficult. Exclusion of most Mengistu regime members and the EPRP and its allies is likely to create enemies for the provisional government.

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Status of Soviet Withdrawals From Germany

Soviet withdrawals from Germany apparently are ahead of schedule in all categories except personnel. By the end of May, the Soviets told the Germans they had withdrawn almost 60 percent of the materiel and equipment scheduled to leave Germany this year. In contrast, they had withdrawn 41,000 of the 100,000 soldiers slated to leave this year. By mid-June, the last of five ground divisions scheduled to leave this year began doing so. In addition, elements of at least one tank division and some other units have started withdrawal preparations one to two years ahead of schedule. The Soviets probably are removing as many of their remaining nuclear weapons as possible before next month, when they must give Bonn more details on munitions movements. Meanwhile, a Finnish-Turkish consortium that holds one hotting contract has started working on a project near Moscow.

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USSR-GERMANY: Withdrawal Schedule Reaffirmed

The Soviet Government has distanced itself from a warning Wednesday by General Burlakov, the commander of Soviet forces in eastern Germany, that delays in German housing construction may slow the troop withdrawal, but Moscow will continue to press Bonn to accelerate and expand the program. The German Economics Minister said yesterday the two sides remain committed to the 1994 withdrawal deadline. The Soviet Foreign Ministry indicated Thursday that Moscow believed the troops are likely to be withdrawn on time and the housing the Germans promised would be ready. At a closed Supreme Soviet session last week, Defense Minister Yazov hinted at a slowdown during testimony on the problems posed by returning troops. b3

[REDACTED] Moscow's efforts to play down Burlakov's statement reflect Gorbachev's concern about Soviet-German cooperation on the withdrawal, long-term bilateral relations, and, most immediately, his meeting with Kohl next week on strategy for the G-7 summit. Nonetheless, Gorbachev will press the Germans for more help, particularly with housing construction. He probably will cite the military's warnings and complaints, although he will assure Kohl the withdrawal will stay on track. Bonn almost certainly viewed the threat as a crude gambit to extract more aid, which it probably will resist. The Kohl government will continue to argue for a greater multilateral-Western aid effort to prop up Gorbachev but is likely to worry about his ability to control the military and ensure a timely withdrawal. b3

POLAND: Legislature Counterpunches

The Polish legislature voted yesterday to override President Walesa's second veto of a controversial electoral law, which he had opposed out of concern that it favors small parties and could result in a fragmented, paralyzed parliament. The legislature's action now obliges him to sign the bill into law; he earlier had raised the possibility of dissolving parliament if it defied him but has conceded that he lacks the constitutional power to do so. Meanwhile, the recession continues to deepen. Industrial production last month was down 18 percent, the sharpest decline this year; the budget deficit is far in excess of IMF guidelines; and unemployment topped 7.7 percent last month. b3

[REDACTED] Walesa almost certainly will try to use this setback to his advantage. He probably will attempt to weaken his opponents, particularly the post-Communists, by charging them with undermining the authority of a democratically elected president. He may hope his tactics translate into support for the president and deflect public attention from the worsening economic situation. b3

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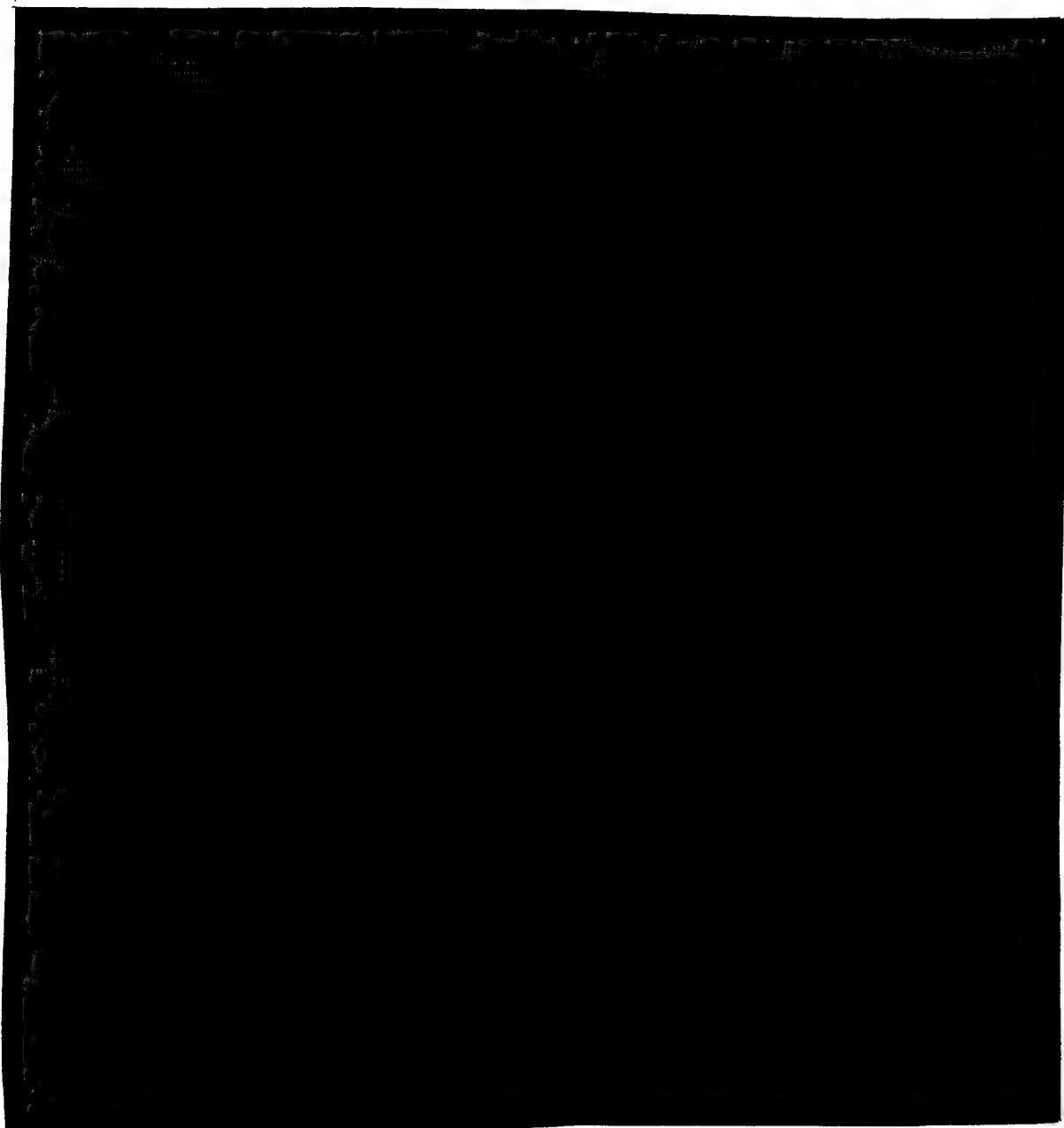
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NETHERLANDS: Assuming EC Presidency

The Netherlands will assume the EC presidency Monday and Foreign Minister Van den Brock will visit Washington on Tuesday as EC Council president to discuss the status of the EC intergovernmental conferences on monetary and political union, Yugoslavia, and a Community proposal on arms control. b3

b3 [REDACTED] The Dutch will try to strengthen Community institutions and to avert French efforts to revive the debate on an independent EC defense identity. Before doing so, however, they will have to arrange a compromise on remaining obstacles to a treaty on political union. The Hague will pursue initiatives for a European Energy Charter and a common European arms export policy and will seek US support for EC efforts to use the Community's economic clout and CSCE procedures to prevent further fighting in Yugoslavia. It also hopes to establish Community controls over sales of nuclear, chemical, and biological weapons to the Middle East and other unstable areas. The Dutch are intent on strengthening consultative mechanisms on foreign affairs and will keep Washington informed about Community initiatives. Dutch good will, however, is unlikely to be sufficient to produce breakthroughs on longstanding US-EC trade disputes. D3

TOGO: Army Mutiny Weakens Regime

President Eyadema agreed to restore an increase in military housing allowances after soldiers took to the streets yesterday, barricading roads and the national radio-station in Lome and firing into the air, according to a fairly reliable source. The troops [REDACTED] returned to barracks after Eyadema's statement, but the mutiny shows the fragility of his regime. The mutiny followed strikes by police and firefighters earlier in the week. The government and opposition groups on Wednesday agreed to postpone a long-awaited national conference on political reform until disagreements over representation, media coverage, and immunity for participants are resolved. b3

b3 [REDACTED] The mutiny will further undermine the regime, already weakened by six months of sporadic civil unrest over demands for political reform. The 8,000 members of the security forces are increasingly discontented at a time when Eyadema needs their support to retain power, and budgetary constraints will limit his ability to satisfy their demands. Opposition groups may exploit the opportunity to increase pressure on Eyadema, increasing the risk of violent clashes. b3

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CZECHOSLOVAKIA: Hope for New Constitution Dim

Optimism over a breakthrough on a new power-sharing arrangement is rapidly fading amid growing fears of a national breakup. Federal, Czech, and Slovak leaders last week agreed the two republics should negotiate a treaty committing themselves to a joint federal state and should ratify the final draft of a federal constitution. Both Czech and Slovak leaders, however, [redacted] are having difficulty selling their compromise to their constituents. President Havel recently acknowledged he fears the country will split apart if either republic legislature rejects the draft federal constitution that is to be submitted to them by the federal legislature. [redacted]

[redacted] Increasingly sharp differences about federal powers, reinforced by rising nationalism, economic uncertainty, and political volatility, make an agreement on a new constitution increasingly unlikely before the legislative election next summer. The Czechs favor a strong federal authority with a substantial role in economic matters, but the autonomy-minded Slovaks seek to limit the federal role to national defense, foreign policy, and the currency. Slovak Premier Carnogursky continues to insist on a separate Slovak seat in the EC, a position Czech leaders have rejected as a formula for a breakup of the 73-year-old Czechoslovak state. [redacted]

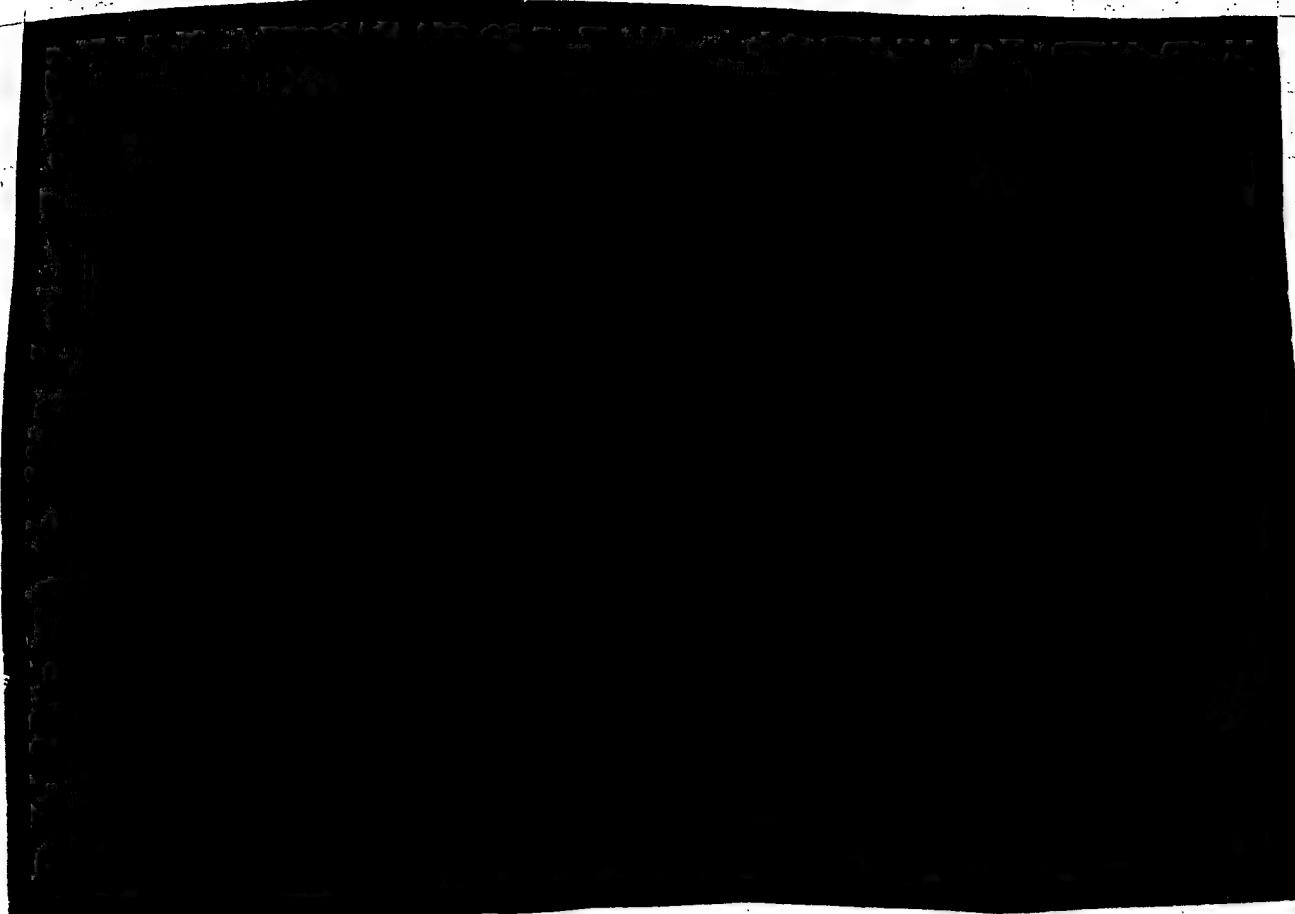
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In Brief

Americas

— Cuba takes over monthly rotating UN Security Council presidency Monday . . . likely to obstruct US initiatives, manipulate debate on Iraq sanctions. [REDACTED] b3

— Panama submitting counterproposal to World Bank reform program Monday . . . may agree to some stiffer public-sector cuts, trade and labor reforms . . . probably still short of IMF, World Bank conditions, more talks likely. [REDACTED] b3

— Increased regional antidrug cooperation led to seizure of 1.4 metric tons of cocaine from ship in Dominica Wednesday . . . largest ever in eastern Caribbean . . . [REDACTED] b1 b3

Middle East

— Algerian President Chadli Bendjedid yesterday resigned party post as head of ruling National Liberation Front. [REDACTED] . . . distances presidency from partisan politics . . . may mean he will not run in 1993 presidential election. [REDACTED] b3

Asia

— Some 400 radical South Korean students attacked USIS Center in Kwangju yesterday protesting coming Koh-Bush summit . . . no damage, but police increasing security for US installations . . . more demonstrations planned, but low turnout likely. [REDACTED] b3

Europe

— Violence spreading in Cameroon over President Biya's rejection Thursday of opposition demands for national political conference . . . nationwide protests, strikes, death toll rising . . . ethnic, regional splits intensifying. [REDACTED] b3

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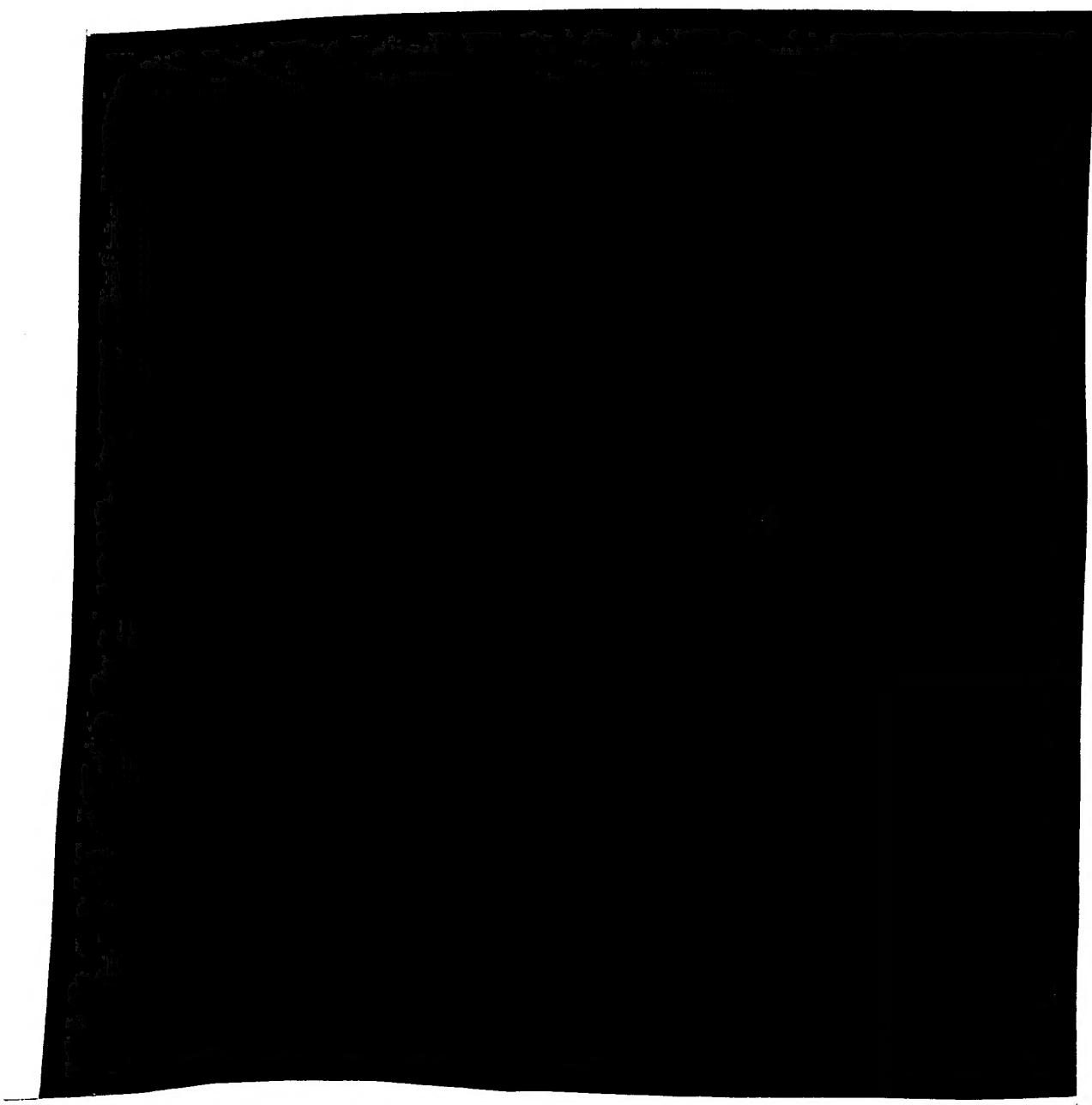
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Special Analysis

LEBANON:

Preparing To Enter the South

President Harawi appears determined to send troops into southern Lebanon on Monday. The Army probably will move first to secure the Palestinian-controlled areas between Sidon and Jazzin, and later this year will try to exert control over Hizballah strongholds; it probably will not go into the Palestinian refugee camps or enter Jazzin.

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The Palestinians and Hizballah -

The Lebanese Government's talks with the PLO and local Palestinian officials to facilitate the Army's deployment are likely to continue until the last minute. Beirut has warned the Palestinians they will have to turn their heavy weapons over to the Army, remove them from Lebanon, or take them to the Bekaa Valley and place them under Syrian control.

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Beirut apparently is not offering the Palestinians many incentives to cooperate. The government has rejected the PLO demand for official diplomatic representation.

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The Lebanese leadership appears to have decided to leave disarming Hizballah until later. With insufficient manpower and equipment to disarm Hizballah by force the Army probably will wait until September, when it is slated to enter the Bekaa Valley, to confront the

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Shia militia. Harawi is somewhat more confident that the Army will be able to deal with Hizballah after the Palestinians have been neutralized.

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The Resistance, the ASL, and Israel

Meanwhile, Hizballah appears to have increased its resistance to Israel's occupation of southern Lebanon since Abbas Musawi was elected secretary general of the organization last month. It has launched five attacks so far this month, including the first attempt to infiltrate, but the level of attacks for the first half of this year is comparable to last year.

Musawi probably hopes increasing resistance attacks will reinvigorate his forces, who are

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The Army of South Lebanon—a predominantly Christian militia backed by Israel—and Tel Aviv are adopting a wait-and-see attitude toward the Lebanese Army's deployment. The commander of the ASL has said publicly that his forces will not block the deployment near the group's stronghold in Jazzin but will not let the troops enter Jazzin. Israel is concerned that resistance forces will use the Army's deployment to shield their operations. Tel Aviv and the ASL have warned repeatedly that they will prevent resistance operations but will try to avoid a confrontation with the Lebanese Army.

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